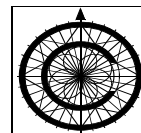




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CHEMONICS INTERNATIONAL INC.



NINTH QUARTERLY REPORT

January – March, 2005

BOLIVIAN TRADE AND BUSINESS COMPETITIVENESS: BTBC

**USAID/Bolivia
Economic Opportunities Strategic Objective Team (EO SOT)
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SECTION I

Introduction

This is the ninth quarterly report for the **Bolivian Trade and Business Competitiveness** (BTBC) project. The BTBC contract (Contract No. PCI-1-00-98-00015-00, Task Order 11) was signed by USAID/Bolivia and Chemonics International Inc. on December 31, 2002 and project implementation started at the end of January 2003. The current contract end date has been extended from March 31, 2005 to June 30, 2005 per modification number 7 of the above referenced contract number.

The overall project objective is to help Bolivia reduce poverty through increased investment and employment creation, as a result of improvements in productivity and access to external markets. The project is focused on the following priorities:

- A. Improve the business environment and operative conditions in Bolivia through the elimination of systemic constraints in order to improve competitiveness and assist economic growth and exports. Factors that will contribute to this “productive environment” include:
 - Effective institutional, legal, administrative and regulatory conditions;
 - Development of human resources, especially in the area of foreign trade and negotiation, and;
 - Coordination and collaboration between the private and public sectors, especially in those efforts oriented to the use of concessions offered by key commercial agreements like the Andean Trade Preferences and Drug Erradication Act (ATPDEA).
- B. Stimulate competitive production of goods and services and private sector exports, particularly in the sectors of wood products, textiles, leather goods, and jewelry. The approach is practical, geared towards generating quick and significant results, clearly surpassing defined obstacles to cover existing market demands. BTBC is achieving this by creating linkages between producing companies and market opportunities at the national, regional and international level, and by providing Bolivian SMEs with carefully targeted technical assistance in production, management, and marketing.
- C. Define, develop and analyze long term interventions to improve the Bolivian trade capability and competitiveness on a larger scale. The project’s focus on this area concluded with the BTBC Phase II Conceptualization Paper set forth in Q5.

SECTION II

Key Achievements during the Quarter

A. Activities Geared towards Improving the Business Environment, Including Institutional Strengthening

A.1. *Foreign Trade and National Development* Communication Campaign Launched: Helping to Generate a National Economic Consensus

The mass media campaign is in its final stages of implementation, and will conclude in May 2005. The most important activities of the quarter were the following:

- Three public symposiums on regional export potential were held in Santa Cruz, Cochabamba and La Paz on the 1st, 2nd and 3rd of February, respectively. These events generated great interest and attracted almost 800 attendees.
- Six sector workshops (two in each city) on practical proposals to expand textile and wood manufactures and exports were held in La Paz, Cochabamba and Santa Cruz, from March 29th to April 6th. These all day workshops were aimed at SMEs and provided them with specific and useful information on topics such as markets, production technology and finance.
- BTBC financed the publication – from January through March - of three special supplements on free trade in the prestigious weekly newspaper **La Epoca**. Extra copies were distributed among the participants of the public events of the campaign.
- During January ten focus groups were held in the cities of La Paz, El Alto, Santa Cruz and Cochabamba, with the objective of qualitatively measuring the campaign impacts. More than 80 people participated, statistically chosen so as to represent gender, age and social and economic levels. Overall results - with the exception of El Alto - were quite satisfactory, having generated a new understanding of the importance of exports and a greater appreciation of Bolivian products. Please see Section III for details.
- BTBC provided the Cámara de Exportadores of La Paz (CAMEX) with computer, editing and photographic equipment necessary for the publication of its monthly magazine, **Bolivia Exporta, Bolivia Crece**, which has become one of the most respected periodicals in La Paz dealing with trade and economic issues.

A.2. Strengthening the Intellectual Property Rights (IPR) Regime in Bolivia

As reported in April 2004, BTBC presented a detailed proposal to reform the *Servicio Nacional de Propiedad Intelectual* (SENAPI). Now, on the basis of Supreme Decree 27938 of December 20, 2004, which granted enhanced responsibilities and capabilities to SENAPI (see Q8), and at the request of the new authorities of the Viceministry of Industry, Commerce and Exports, BTBC proceeded to help SENAPI start implementing this proposal in the following areas:

- Technical support, information systems and human resources to help eliminate the backlog of pending processes in the areas of patents, brands, copyrights and others pertaining to intellectual property rights.
- Implementation of a minimal information technology platform – including both software and hardware – in order to modernize and improve operations and services provided by SENAPI.

For this purpose BTBC hired a project coordinator and ten specialists in IPR and information technology to work directly in SENAPI's premises. BTBC also contributed computer equipment and software to carry out the backlog-cleaning process. This equipment and software will be donated to SENAPI to constitute a basic technological platform for the institution.

To date we can report the following results:

- Completion of the backlog-clearing process.
- Design of the monitoring and evaluation systems.
- Development of the data base.
- Information technology equipment in place for the management, data base, monitoring and evaluation systems.

A.3. More Competitive Enterprises: Second Strategic Management Training Program for SMEs of the City of El Alto

This quarter we concluded the Second Strategic Management Training Program for SMEs of the City of El Alto, implemented by the Master's in Economic Development Department of Universidad Católica Boliviana. The courses offered during this quarter included Accounting, Strategy, Management and Leadership and a Business Simulation workshop.

This second training program included the initial participation of 34 SMEs, although only 25 participants concluded their studies satisfactorily and received the corresponding diploma. Around half of the participants were from the textile sector; the rest came from the machinery, wood, leather and food sectors. The graduation ceremony took place in El Alto on March 18, with the presence of Rosario Mengoa de Velasco, Vice Minister of Small and Micro Production of the Ministry of Economic Development, and Liliana Ayalde, Director of USAID/Bolivia.

A4. Promoting Registry Simplification: A Workshop with the Unidad de Productividad y Competitividad and the Prefecturas de Departamento.

The Unidad de Productividad y Competitividad (UPC), dependent on the Ministry of Economic Development, is engaged in a registry-simplification program which aims to encourage and help SMEs become part of the formal economy. Many registration procedures have already been simplified and are available to the general public in a web page designed by the UPC (www.tramites.gov.bo).

However, it often is the case that public servants in charge of applying some of these procedures are not adequately prepared to do so, particularly at the Prefectura level. For this reason, the UPC asked BTBC for assistance in organizing and implementing a training workshop for the heads of the Reform and Management Units of the Prefecturas, nationwide. The workshop was held in February in Cochabamba with the assistance of seven of the country's nine Prefecturas. Specialists from UPC and IBNORCA trained the regional officials on the new, simplified procedures for enterprise registration.

B. Activities to Stimulate Production and Exports

During this quarter BTBC continued its technical assistance activities in support of Bolivian manufacturers, albeit at reduced levels due to the expectation that project close was to be on March 31st. Overall, since its inception, BTBC's technical assistance program to more than 50 companies has been instrumental in generating over \$20 million in new exports and over 3,100 new jobs (1,263 direct jobs plus 1,894 indirect jobs). Considering that the average worker in Bolivia has 4 dependents, we can estimate that about 15,700 people depend on BTBC-generated jobs for a living.

In relation to last quarter, cumulative new jobs in BTBC-backed companies have increased slightly this quarter as a consequence of employment declines in the secondary wood products sector that were more than offset by new jobs created in the textiles and apparel companies we currently assist.

BTBC-backed exports in the quarter have risen by 2% in relation to last quarter's achievement. This is due to the normal low phase in the production cycle during the first quarter of every year. The new exports are a result of the new companies assisted within the secondary wood products sector.

BTBC has been able to integrate a total of 105 SMEs into the export chains, mostly producing under subcontract for larger exporting companies and in some cases exporting directly. In the area of local sales, BTBC interventions have generated an increase of approximately \$300,000, an increase of 45% with respect to last quarter's report.

The following table summarizes BTBC's overall results in the productive sector. Sector breakdowns and additional detail are provided in the corresponding sections of this report.

Estimated Cumulative Results in Support of the Productive Sector to Mar 2005

<i>SECTOR</i>	<i>New Direct Jobs</i>	<i>New Exports (000s USD)</i>	<i>New Local Sales (000s USD)</i>	<i>People Trained</i>	<i>New SMEs subcontracted for export</i>
Textiles & Apparel	508	3,800	490	1,224	25
Fine Fibers	93	675	330	540	8
Secondary Wood Products	517	3,259	104	1,788	22
Jewelry	89	12,400	-	138	0
Leather Products	56	816	37	210	50
Total Direct Jobs	1,263	20,950	961	3,900	105
Indirect jobs	1,894	← Average of 1.5 indirect jobs per direct job.			
Total New Jobs	3,157				
Dependents	12,630	← Average of four dependents per worker.			
Total livelihoods	15,787				

Note: Employment figures are calculated using the following methodology: 1) For every company we assist, we calculate monthly the difference between baseline employment (before BTBC intervention) and current employment for the month; 2) The accumulated sum of the monthly figures of employment generation (or loss) are prorated by the number of months reported. For example, say a company had a baseline of 40 employees in April, before BTBC began assisting them. Suppose in May they had 70 workers, in June 90, in July 80, August 50, and September 30. The differences with the baseline would be +30, +50, +40, +10 and -10, and the accumulated average for the five months reported would be $120 / 5 = 24$ new jobs created.

BTBC has achieved other important and sometimes intangible results in areas such as workplace health, safety and environmental practices, productivity increases, corporate governance, gender issues, training and technology transfers.

The BTBC consultant pools continue to work well, even though the number of consultants within each pool has been reduced due to the conclusion of short-term contracts and the proximity of the end of the project.

B.1 Textiles and Apparel

- ACOTAR is the principal association of garment manufacturers in Tarija, composed mainly of shops with five to twelve machines each. Production technology is rudimentary and labor is largely unqualified. BTBC provided assistance to select ACOTAR members by developing transition plans to more sophisticated machinery. In addition, BTBC helped five shops implement assembly production systems. We provided training for 45 people, of which 34 are working in various ACOTAR shops.

- In order to complete a missing link in the Tarija production chain, for several months BTBC has been suggesting the idea that the Premier Group of Cochabamba consider moving its denim garment finishing operations (washing and embroidery) to Tarija. During a BTBC visit this past quarter, one of the ACOTAR members has volunteered to provide physical space for Premier to install this machinery. On the one hand, this project will allow Tarija garment manufacturers to produce blue jeans, while receiving finishing services and market linkages. On the other hand, the project will place Premier's production base much closer to its Argentine target market. On March 21st ACOTAR and Premier met to finalize details of the agreement.
- BTBC provided training in cost structures and quality management to 14 groups of women hand-knitters in El Alto. These groups knit cotton sweaters for Rey Wear. A total of 370 people were trained.
- At the request of Trailer Jeans, BTBC provided training for 40 people in industrial sewing. Trailer provided these sewing operators as part of a strategic alliance with Anthony Jeans, in order to reactivate Anthony's production to jointly service export orders from buyers in Santiago, Chile.

B.2 Secondary Wood Products

- BTBC has continued contributing in the progress of the wood collection hub project. IMR-RODA has qualified as strategic partner and is willing to have all the installations ready before September 2005.
- BTBC has been active in developing different programs with other international donors, such as the Wood Classification seminar with the Swiss Cooperation Agency and with USAID-supported CADEFOR, and providing support for the participation of Bolivian companies in international tradeshows organized by the Danish cooperation agency, DANIDA. BTBC has also invited companies to participate in the wood drying seminar organized by CADEFOR and Bolfor, together with the Technical University of Virginia.
- BTBC is providing technical assistance in the fulfillment of the purchase orders of U.S. buyer New Hemisphere to Muebles Hurtado, Muebles San Jorge and Carpintería La Italiana in Santa Cruz.
- We are providing technical assistance in the subcontracting process of SOEX with PROMAD for the production of two containers of furniture parts and pieces, Ultimate Design for home furniture, and Chinga Decoraciones for other items.
- BTBC is providing advice to a group of SMEs that is interested in setting up a wood-drying operation in El Alto.

B.3 Fine Fibers, Leather and Jewelry

- BTBC continued expanding its activities in the fine fibers sector by commencing assistance programs in new areas, such as yarn dyeing in coordination with the biggest yarn spinning mill in the country (COPROCA).

- BTBC has continued training in the quality control and hand-knitting techniques to more than 300 women.
- Design is critical for the success of Bolivian camelid products in the international markets. During this quarter, we started an extensive training in this area to more than 100 artisans.
- We helped develop the Winter 2005/2006 collection for Fotrama, including a digital catalog that the company is using to contact their potential clients.
- We are providing assistance to three hand-knitting groups, namely Fotrama, Altifiber/Altiknits and ASARBOLSEM, which employ over 1,600 women in El Alto and rural areas in Cochabamba.
- With BTBC assistance, this quarter Macaws completed all procedures and documentation to obtain the ISO 14000 certification. Certification has been programmed for April 2004 by DNV (Det Norske Veritas). External audit for the maintenance of ISO 9001 and OHSAS 14001 is also programmed for April.
- During this quarter we started providing assistance to two new businesses: Pielbo, a leather tannery, and CECADEM, a jewelry training and production center.

C. Other Key Achievements

Magic Marketplace, Las Vegas, Nevada.

BTBC supported Bolivian participation in the February 2005 edition of Magic Marketplace. The participating companies were Alpaca Natures, Alpaca Style, Origenes Bolivia, Intiwara and Mel Confecciones. Aggregate expected sales resulting from the tradeshow are estimated around \$180,000.

EXPOFOREST, Santa Cruz

BTBC was a major player in the organization of EXPOFOREST in February, in which there were over 70 exhibitors, a Discussion Forum and a Business Round Table. The tradeshow was a notable success. BTBC coordinated closely with CADEFOR, BOLFOR and other organizations.

Small Enterprise Assistance Fund (SEAF) visit to Bolivia

From 7-10 March a BTBC representative accompanied Arturo Rivera of SEAF Peru and SEAF's Bolivian consultant, Fabrizio Nuñez, to ten company visits in La Paz and Santa Cruz. Of the ten companies, four are considered prospects with immediate potential, two are prospects with potential in one year and four are start-ups or not viable investment prospects at present.

SECTION III

Detailed Quarterly Results

A. Activities Geared towards Improving the Business Environment, Including Institutional Strengthening

A.1. “Foreign Trade and National Development” Communication Campaign: Helping to Generate a National Economic Consensus

The Communication Campaign continued full force through activities in the following components: supervisory activities, public education/information events and impact evaluation. Additionally, during this quarter we financed the publication of a special supplement on foreign trade issues in the weekly newspaper “La Epoca”, which was denominated “EXPORTEMOS”.

Moreover, BTBC provided CAMEX with an important set of computer, editing and photographic equipment to support the publication of its monthly magazine “Bolivia Exporta, Bolivia Crece”, which is now a recognized specialized publication. This equipment allows CAMEX to save on editing costs, thus contributing to the sustainability of the magazine.

A.1.a Seminars on Regional Potential for Export Development

Three seminars were held to discuss this topic: one in Santa Cruz, one in Cochabamba and one in La Paz. In each case, the keynote speaker was a well-respected expert on the economic development of the particular region, plus we invited two or three successful local entrepreneurs to each event to provide their points of view. The closing presentation in all three cases was by the head of the Bolivian Unit for Negotiation of a Free Trade Agreement with the United States, who expounded on Bolivia’s export potential and market opportunities, particularly in the U.S.

The following charts summarize the content of each of the three seminars:

Export potential of Santa Cruz and Eastern Bolivia
Santa Cruz de la Sierra, 2/1/05

Topic	Speaker
"Economic and export potential of Santa Cruz and Eastern Bolivia"	Carlos Kempff, economic analyst and ex Minister of Economic Development
"Export potential of the wood manufacturing sector"	Nicolás Hurtado, owner and manager of Muebles Hurtado
"Export potential of the Brazil nut"	Clover Paz, Manager of Manutata and President of the National Chamber of Exporters of Bolivia
"Where we are in the negotiation process and where we want to be"	Juan Carlos Iturri, Head of the Bolivian Unit for Negotiation of a Free Trade Agreement with the United States

Export potential of Cochabamba and the Valley Region
Cochabamba, 2/2/05

Topic	Speaker
"Economic and export potential of Cochabamba and the Valley Region"	Roberto Lacerna, Economic Analyst
"Export potential of the leather manufacturing sector"	Peter Weiss, Owner and manager of Macaws
"Export potential of the wine sector"	Marianela Chamas (Tarija), National Winemakers Association
"Export potential of the agroindustrial sector"	Mauricio Quintanilla (Sucre), Agrocentral
"Where we are in the negotiation process and where we want to be"	Juan Carlos Iturri, Head of the Bolivian Unit for Negotiation of a Free Trade Agreement with the United States

Export potential of La Paz and the Andean Highlands
La Paz, 2/3/05

Topic	Speaker
"Economic and export potential of La Paz and the Andean Highland"	Gonzalo Chavez, Economic Analyst
"Export potential of the jewelry sector"	Eduardo Bracamonte, Manager of Exportadores Bolivianos and President of the Chamber of Exporters of La Paz.
"Export potential of the textile and garment industry"	Virginia Ajhuacho (El Alto), Owner and manager of Val&Fal
"Development and export potential of the tourism sector"	Guido Mamani (Rurenabaque), Albergue Turistico Chalalan
"Where we are in the negotiation process and where we want to be"	Juan Carlos Iturri, Head of the Bolivian Unit for Negotiation of a Free Trade Agreement with the United States

We had 778 registered participants in the three events: 278 in Santa Cruz, 200 in Cochabamba and 300 in La Paz. Over a dozen different mass media organizations provided ample coverage of the events.

Among the most significant conclusions of the seminars we can mention the following:

Santa Cruz (Carlos Kempff)

“The sectors with greatest potential are agroindustry (in particular soy and sugar); forestry and wood manufacturing (where certification provides additional value); livestock (particularly in areas free of hoof and mouth disease); fishery; tourism; textiles and cotton, and leather manufacturing.”

Cochabamba (Roberto Laserna)

The sectors with the greatest potential are agriculture, non-ferrous metals, textile and leather products, and trade and transport services. The region should take advantage of its geographic position (in the center of the country), its climate and its population to promote both the agricultural and manufacturing sectors.

La Paz (Gonzalo Chavez)

Free trade alone will not generate economic growth...it must be accompanied by the accumulation of physical and human capital, as well as technological development. The region must develop clusters based on local resources and incorporating innovation, technology and services.

For his part, Head Negotiator Juan Carlos Iturri said that a Free Trade Agreement with the United States is not an end in itself, but an opportunity to achieve greater progress for Bolivia. If this opportunity is not seized, it can mean not only foregoing future gains, but also possibly losing jobs that have already been created in the export sector. For this reason, the country must work united to improve its productivity and competitiveness, and in particular to add greater value to its natural resources, assure better and more stable markets for its goods and create sustainable and higher quality jobs. Mr. Iturri said that the GOB will work towards a FTA that defends the national interest, including public health issues, sensitive agricultural products and the defense of the Andean Community markets. He also said he will strive for the establishment of solid dispute resolution mechanism.

A.1.b Textile and Wood Exports Workshops

The regional export potential seminars described in **A.1.a** above generated a high level of interest but also some frustration, as the private sector participants questioned our speakers about how to improve their own exports and seemed increasingly unsatisfied with generic answers.

For this reason, BTBC and the export chambers decided to organize a series of more focused events with the purpose of exploring and trying to provide solutions to some very real issues

faced by exporters in the areas of production technology, markets, registration, transportation and financing, among others. We chose to organize these initial workshops for the textile/garment sector and for the wood products sector, given their export potential, the large numbers of SMEs involved, and BTBC's experience with these sectors.

In order to bring a larger and more skeptic public to our Campaign events, on this occasion we teamed not only with the Chambers of Exporters, but also with the Confederación Nacional de la Micro y Pequeña Empresa de Bolivia (CONAMYPE), whose president was one of our keynote speakers. The CONAMYPE and its regional federations of La Paz, Cochabamba and Santa Cruz helped bring a significant number of small and micro entrepreneurs to the workshops.

Each workshop lasted a full day. During the morning we had specialists present the different topics mentioned above and in the afternoon we set up information booths where attendees could have a private question and answer session with these specialists.

A BTBC sector specialist initiated each session with a detailed presentation of the characteristics of the sector (textile or wood) in Bolivia, including its strengths and weaknesses. Another BTBC specialist gave the talk on financial services, including specific pointers on how SMEs can improve their chances of getting a loan. Then the other institutions invited to the events participated with the following presentations:

- Centro de Promoción Bolivia (CEPROBOL) spoke about its export promotion programs.
- UPC talked about registration procedures, time and cost.
- Vice Ministry of International Economic Relations spoke about the various trade treaties Bolivia is a part of and the export advantages these provide.
- The regional Chambers of Exporters provided information about transport and other trade-related services.

A special mention goes to the financial services component of the workshops. In addition to providing the keynote address on the subject, BTBC teamed up with a USAID/B finance project named Premier in order to coordinate the participation of a very significant number of financial institutions in the afternoon information booths. Seven such institutions – including FFPs and banks - participated each in La Paz and Santa Cruz, while six of them did so in Cochabamba.

Each of the two workshops (textiles and wood) were held in the three major cities of Bolivia, for a total of six events. The total number of assistants was 286, distributed as follows:

- La Paz – Textiles 84
- La Paz – Wood 62
- Cochabamba-Textiles 40
- Cochabamba- Wood 34
- Santa Cruz – Textiles 34
- Santa Cruz – Wood 32

The information booths set up for the afternoon sessions were a big success, as participants stayed on after lunch to ask specific questions and/or to establish contacts that could help them solve issues affecting their production or export capabilities. In the area of production technology our sector specialists registered 41 consultations, some of which will result in new technical assistance projects for BTBC. CEPROBOL received 33 consultations in relation to its export-promotion programs and UPC 36 regarding registration procedures. The regional Chambers of Exporters got 35 requests for information pertaining to transportation and other trade-related services. But the area that generated the greatest interest was by far financial services, where almost 200 contacts were established during the workshops, 107 in La Paz, 49 in Cochabamba and 43 in Santa Cruz. It should be pointed out that the interest was two-way, since both the attendant entrepreneurs and the financial institutions were eager to establish contact with one another.

A.1.c.Survey Groups

This second set of focus groups was designed to measure the impact of the *Bolivia Exporta, Bolivia Crece* campaign in terms of education and valuation of the campaign messages. The groups met in La Paz, El Alto, Cochabamba and Santa Cruz during the last week of January. A total of ten focus groups were implemented, with eight participants per group.

The eight groups that met in La Paz, Cochabamba and Santa Cruz essentially coincided in the following aspects:

Education and value added

- Participants felt the communication campaign was informative and educational.
- They valued the objective of the campaign.
- They increased their appreciation of Bolivian products.
- They consider the campaign promotes exports.
- They have learned about what products Bolivia exports.

Feelings and impact value added

- The campaign and its messages generated emotion and a feeling of national pride, unity, optimism and desire to get ahead.

However, the results of both focus groups in El Alto were different:

- *Alteños* didn't believe the spots; in particular they didn't believe that Bolivia exports jewelry and clothing.
- They said they can't be proud of something they have never seen.
- They argued it is discriminatory that these export products are not accessible to Bolivians.

A.1.d Special Supplement on the FTA in “La Epoca”

“La Epoca” is a free weekly newspaper with a circulation of 9,000 and a high socio-economic level target audience that includes upper-level government officials and

entrepreneurs. “La Época” focuses on in-depth political and economic analysis and its specialized supplements are widely read and respected.

During the quarter BTBC financed the publication of three specialized supplements in “La Época” with the following topics:

- EXPORTEMOS No.1 focused on the economic and commercial benefits of the Free Trade Agreement (FTA) with the USA. It carried interviews with firm representatives noting the enormous potential of the U.S. market for Bolivian exports, not only for manufactured goods, but also for basic and processed agricultural products. There is also an interview with the Bolivian official in charge of coordinating the FTA negotiations, where he advocates the need for Bolivia to develop a competitive supply of goods and services, instead of continuing to depend on foreign donations to meet basic fiscal needs. The editorial aims at emphasizing the link between exports and economic prosperity and employment generation.
- EXPORTEMOS No. 2 focused on the role that the rule of law plays in securing investments and conveying an image of a country as a trusted partner. Both the editorial and the central article built on this theme, supported by the comments of former government authorities and prestigious exporters. There is also a section on export statistics. The supplement also carries an extensive interview with Mr. José Luís Paredes, the influential and highly voted and re-elected Mayor of El Alto, who advocates the FTA as a major instrument for the economic and social development of his city through increased investment and exports.
- EXPORTEMOS No. 3 focused on a variety of firms that are currently exporting to the U.S.A., all of which want Bolivia to become a full negotiating member of the Andean Free Trade Agreement, since they consider it will generate important business opportunities for the country. The issue includes an interview with one of the new political leaders of the country, who builds on the idea that Bolivia needs to look for export markets instead of foreign assistance.

A.2. Strengthening the Intellectual Property Rights (IPR) Regime in Bolivia

On the basis of Supreme Decree 27938 of December 20, 2004, which clarified the norms governing IPR in Bolivia and granted enhanced responsibilities and capabilities to the Servicio Nacional de Propiedad Intelectual (SENAPI), the GOB asked USAID/B for BTBC’s help in carrying out the institutional strengthening of SENAPI. Given the reduced time-frame before the conclusion of BTBC, it was decided to embark on a short pilot modernization program, which included helping SENAPI eliminate an enormous backlog of pending processes in the areas of patents, brands, copyrights and others pertaining to intellectual property rights.

SENAPI’s pilot modernization program – coordinated with the Vice Ministry of Industry, Commerce and Exports, includes the following components:

- Updating and adjusting the Information Technology and Communication (ITC) strategic plan, including identifying required hardware, software and communication equipment, as well as training and installation costs.
- Providing technical assistance for the institutional strengthening of SENAPI and for the elimination of backlog, through a specially recruited team of specialists.
- Recommending future actions to complete the institutional strengthening of SENAPI and ensure its sustainability.

Results to date in the elimination of backlog

The elimination of backlog required first a detailed revision and classification of pending procedures, in order to determine their nature (copyrights, industrial property rights, administrative, legal, etc.) and whether they could be solved directly by SENAPI or required inter-institutional collaboration. In some cases it was also necessary to exchange information with the Association of Lawyers Specialized in IPR.

Once classified, procedures have been solved at an extraordinarily high rate. The following chart summarizes the most relevant accomplishments:

AREA	Number found pending	% solved (3/8/05)
Patents (including inventions, industrial designs, integrated circuits, etc.)	1,400	75%
Brands (industrial, commercial, geographical origin, etc.)	7,720	97%
Author copyrights (literary, artistic, scientific)	100	10%
Intermediate copyrights (phonograms, radio, television, etc.)	1	100%
Oppositions	2,500	84%

Results to date in the institutional strengthening of SENAPI

- Training workshop on strategic planning.
- New organizational design.
- Process and system reengineering.
- Review and modification of Personnel Guidelines, as well as Organization and Procedures Manuals.
- Review of administrative, financial and institutional control processes and recommendations for their improvement.

Results in the area of technological improvement of SENAPI

- Provision of the following equipment and software: six computers, one server, two printers, three scanners, one router, two code-bar readers, one copying machine and specialized data base software.
- Design of the technological platform for solving the backlog.

- Support in the implementation of data exchange agreements with the IPR Lawyer's Association.
- Development of the following data bases: Brands, Copyrights and Oppositions.
- Design of the Management and Monitoring & Evaluation Systems.
- Design of the interactive website.

A.3. More Competitive Enterprises: Second Strategic Management Training Program for SMEs of the City of El Alto

The second Strategic Management Training Program for SMEs of the City of El Alto, implemented by the Master's in Economic Development Department of Universidad Católica Boliviana, concluded satisfactorily, with 25 new graduates. The program included classes in the areas of Accounting, Strategy, Management and Leadership, as well as a Business Simulation workshop. As in the previous program, one of the features most valued by participants was the personalized counseling, which consisted of visits and counseling to each of the SMEs at the end of each training module. As one of the lessons learned from the previous edition of this program, on this occasion we dedicated more time and effort to these follow-up visits.

The simulation exercises at the end of the course were also highly praised, as they permitted each of the SMEs to work on the immediate solution of critical problems, applying tools learned in the program. The owners and managers of participating SMEs valued the fact that professors and students of a master's program helped them solve concrete problems within their own business units.

Among the most significant results of the program we can mention the following:

- In the area of Marketing, the SMEs analyzed price-determination strategies, including marketing mixes based on market studies and segmentation. Participants also learned the value of publicity and advertisement.
- In Accounting, participants learned the importance of financial analysis for decision-making.
- In the area of Strategy, participating firms understood the need for planning and the relevance of factors such as competition and consumer trends.
- In Management, the most appreciated component was that related to personnel management and motivation. Participants had access to simulation programs that modeled fixed vs. variable salaries and wages; they also considered the relevance of teamwork to improve production and productivity.

In general, participants agreed that the course exposed them to new areas of knowledge, which they consider will be very useful in improving the efficiency and competitiveness of their businesses in the short, medium and long run.

The graduation ceremony of the program took place in Hotel Alexander Los Andes of El Alto on March 18, with the presence of Rosario Mengoa de Velasco, Vice Minister of Small and Micro Production of the Ministry of Economic Development, and Liliana Ayalde, Director of USAID/Bolivia.

The 25 new graduates have joined those of the previous course in an Association that maintains regular contact with Universidad Católica Boliviana to talk about management and competitiveness issues.

A.4 Registry Simplification Workshop

The Unidad de Productividad y Competitividad (UPC), dependent on the Ministry of Economic Development, is engaged in a registry-simplification program which aims to encourage and help SMEs become part of the formal economy. Many registration procedures have already been simplified and are available to the general public in a web page designed by the UPC (www.tramites.gov.bo).

However, it often is the case that public servants in charge of applying some of these procedures are not adequately prepared to do so, particularly at the Prefectura level. For this reason, the UPC asked BTBC for assistance in organizing and implementing a training workshop for the heads of the Reform and Management Units of the Prefecturas, nationwide. The workshop was held in February in Cochabamba with the assistance of seven of the country's nine Prefecturas. Specialists from UPC and IBNORCA trained the regional officials on the new, simplified procedures for enterprise registration.

In order to promote the registration and legalization of SMEs, BTBC designed and executed, in coordination with the Unidad de Productividad y Competitividad (UPC), a registry simplification workshop for public official of the regional governments (Prefecturas) of the country. Seven of the nine Prefecturas participated in the event with two representatives each from the corresponding Management and Reform Units, which are charged with designing and implementing procedures pertaining to the productive sector. The Prefecturas of Cobija and Potosi were unable to attend because of roadblocks around the date of the event.

Training was performed by the UPC, which has a Registry Simplification Unit that works with both private and public institutions, and by the Instituto Boliviano de Normalización y Calidad (IBNORCA), which delivered the topics of Quality Service to Clients and Documentary System Management.

The course concluded with the signing of an agreement between the UPC and each of the Prefecturas in order to carry out a plan to implement the teachings of the workshop.

Participants in the course were made aware of the importance of registry simplification to improve the business environment. Among other results, the participants made a commitment to go back to their Prefecturas and work – in coordination with the corresponding institutions - on procedures manuals for environmental permits, business registration and tourism permits.

A.5 Collaboration with the World Bank to produce an Assessment on the Business Climate in Bolivia

At the end of 2004 the World Bank office in Bolivia requested USAID/B the assistance of BTBC to cooperate in the elaboration of an important chapter of the World Bank's Bolivia 2005 Economic Country Memorandum (ECM). The ECM is a valuable and periodic assessment implemented on a 5 to 10-year period of how countries are performing on productive, development, fiscal and economic areas. The last Bolivian ECM was done in 1994. This document sets forth a critical route and guides the World Bank on which areas the specific country needs technical and financial assistance; hereby its importance.

Given BTBC's collaboration with the Bolivian government in the implementation of several economic studies in the past two years, the World Bank office in Bolivia asked us to hire Mr. Juan Carlos Requena to draft the Investment Climate Assessment (ICA) chapter of Bolivia's 2005 ECM. From December thru March, Mr. Requena has been working on this effort and he is expected to finish the job by mid-April, once a final draft of the ECM is reviewed with government officials and other donors.

The Investment Climate Assessment study seeks to: i) identify the most important and costly competitiveness restrictions faced by manufacturing firms; ii) provide detailed and objective information on how these restrictions affect the firms and; iii) make policy and other recommendations to solve or mitigate the effects of these restrictions. The consultant's work has therefore consisted of the following:

- Updating the set of policy proposals and recommendations the 2000 ICA suggested and examining the degree of compliance and fulfillment of such proposals to date.
- A complete revision of recent documents and studies concerning the microeconomic constraints to Bolivia's development
- The formulation of at least four Bolivian case studies relating the ICA proposals and the micro constraints.

B. Activities to Stimulate Production and Exports

B.1 Textiles and Apparel

B.1.a Overview of BTBC Activities in the Sector

Bolivian garment exports during 2004 were \$52.4 million, representing an increase of 22% against 2003. Exports during January and February of 2005 have reached \$7 million, a slight decrease with respect to the same period of the previous year. BTBC is contributing to the growth in exports through technical assistance provided by its pool of specialized consultants in the following areas:

- Production systems. BTBC is supporting the largest apparel company in the country, AMETEX, in implementing the Lean Manufacturing production system with the help of U.S. based specialized consulting firm, TC².

- **Training.** Qualified labor is very scarce in Bolivia, especially in Tarija. BTBC is training 45 workers in that city in the operation of industrial machines. Once trained, they will be hired by existing SMEs. BTBC is strengthening SMEs in order to incorporate them to the export chain. Through this support, these SMEs are improving quality to comply with international standards.
- **Incorporation of SMEs to the export chain.** Many of the larger apparel companies in Bolivia are growing and need additional production capacity. In order to overcome this limitation, they are subcontracting SMEs. BTBC is working with the SMEs and is preparing them in the areas of manufacturing, printing and dyeing, among others. Examples in the jean business are Bogama, Val Fal, Batos and Antony.
- **Opening markets.** Several attempts are under way to enter the U.S. market with a group of SMEs through trader Daniel Abugatas. Samples and price quotes have been sent and results are expected in the coming weeks.
- **ISO Certifications.** BTBC is coordinating with CEDEMYPE, the development of specialized consultants in the areas of workers training in different production systems and specific operations. The purpose of this training is to improve the service offered to companies by CEDEMYPE.
- **Access to Finance.** BTBC completed a Business Plan for Rey Wear, which is being used to obtain a \$250,000 loan. These funds will be used to install a new dyeing plant that will also offer services to smaller plants. This is a major accomplishment because SMEs will be able to buy white fabric and dye it according to their needs.

B.1.b BTBC Projects and Results in the Textiles and Apparel Sector

BTBC-backed companies have maintained their export levels. BTBC is providing assistance to some SMEs that are just beginning to export and therefore the majority of their business continues to be in the domestic market; for this reason, local sales have risen by 15% compared to last quarter.

Cumulative employment in assisted companies has decreased slightly due mainly to a normal dip in the business cycle during the first quarter of the year. Additionally, MYTEX has closed its doors and RECORD is currently working with only one (normally two) of its subcontractors.

More than 50 workers were trained this quarter, bringing the aggregate total to 1,204. Training has been provided on-site in the companies and through workshops.

The table below reflects BTBC's employment and export results in the textiles and apparel sector.

Summary of Cumulative Results: Oct '03-Mar '05 – Textiles and Apparel

Company	New Jobs	New Exports US\$	New Local Sales	People Trained	New SMEs in export chains
BTX (MEL CONFECCIONES)	40	112K	120K	90	7
CONFECCIONES RECORD	25	1000K	0,00	150	5
MITSUBA	11	150K	167K	7	2
MAQUIBOL	87	1000K	0,00	50	7
ASEA-MYTEX.	0	980K	0,00	150	0
ALFACH	30	35K	38K	12	0
VAL FAL	15	21K	0,00	22	0
JHECCEM	10	4K	0,00	17	0
MAKAM	6	13K	0,00	2	0
TRAILER	14	30K	12K	30	0
TORINO	10	44K	0,00	3	1
DINATEX	2	0,00	0,00	10	0
IMAGEN	1	0,00	4K	1	0
TRES COLORES	4	9K	0,00	44	0
TEXMABOL	0	0,00	0,00	3	0
DIM's JEANS	9	25K	0,00	10	0
BATOS	40	20K	80K	50	0
BOGAMA		7K	0,00	-	
REY WEAR	136	320K	27K	20	0
AMETEX	0	0,00	0,00	107	0
TEXTURBOL	0	0,00	0,00	12	0
ACOTAR	38	0,00	0,00	40	0
HOGARTEX	9	0,00	30K	14	
ANTHONY JEANS	10	10K	9K	20	2
JEANS SPORT	12	14K		-	1
UPC- Training		0,00	0,00	300	
BANCO BISA		0,00	0,00	50	
TOTAL	508	3,800	490	1,234	25

. **Note:** Employment figures are calculated using the following methodology: 1) For every company we assist, we calculate monthly the difference between baseline employment (before BTBC intervention) and current employment for the month; 2) The accumulated sum of the monthly figures of employment generation (or loss) are prorated by the number of months reported. For example, say a company had a baseline of 40 employees in April, before BTBC began assisting them. Suppose in May they had 70 workers, in June 90, in July 80, August 50, and September 30. The differences with the baseline would be +30, +50, +40, +10 and -10, and the accumulated average for the five months reported would be $120 / 5 = 24$ new jobs created.

BAT'T, La Paz & El Alto

After carrying out a diagnosis and developing a work plan, BTBC has been providing technical assistance to BAT'T since December 2004. BAT'T is a subsidiary of the Ametex group which handles local market sales and exports to neighbouring countries utilizing Ametex seconds. Though BAT'T carries almost \$1 million in fabric inventories, it has only eight sewing operators on the payroll for design and sample development. Garment manufacturing is outsourced to seven SMEs, making BAT'T an interesting partner for BTBC.

The BTBC diagnosis identified deficiencies in planning and organization, particularly in the areas of production and logistics. Consequently, BTBC's assistance has consisted of the following:

- Strengthening production coordination, including developing precise specification sheets for all designs to achieve manufacturing consistency.

- Complete control programs have been implemented, allowing for automatic calculation of movement times. Cutting controls have also been implemented in third-party providers of that service.
- The role of each team member has been reviewed and adjustments have been made to achieve a more cohesive and effective team.
- A planning department has been established, beginning its work with 24 items for production in the immediate future. This planning department enables the company to improve efficiencies in outsourcing and delivery times, and significantly reduces reprocessing.
- Outsourcing has been narrowed from seven to four SMEs, for reasons of competitiveness, efficiency and simpler logistics.

REY WEAR, El Alto

This past quarter BTBC has provided extensive assistance to Rey Wear, including the following:

- Sample development
- Development of measurements and specifications for 11 models to be produced
- List of sewing operations and corresponding times for each garment
- Advice and assistance in the procurement of a variety of new machinery
- Recommended layout for Rey Wear's new plant, Hogartex, with a view to maximizing productivity and efficiency
- Development of templates for each model by size for final approval by the US customer prior to commencing production
- Shrinkage control tests on the fabric
- The first production run had certain defects related to dyeing deficiencies originating with the fabric supplier. BTBC analyzed the discolorations and made recommendations on cutting patterns to minimize wastage. The Colombian fabric supplier has recognized its responsibility and is picking up the corresponding costs.

SIMON'S JEANS, Cochabamba

Simon's Jeans is an established manufacturer of denim garments for women in the Bolivian domestic market. The company sought BTBC assistance to train 30 new sewing operators for a new manufacturing operation to be implemented by the proprietor's eldest daughter. BTBC began work in February by overseeing maintenance and repairs on the company's machinery so that it would be in appropriate condition for the training to take place. Advertisements were placed in the local press seeking trainees, but only 20 people applied. Training proceeded for several days, but the owners changed their mind indicating that they preferred to hire experienced sewing operators. Further advertisements were published in the press seeking the experienced operators, but there were no applicants. By mutual agreement between BTBC and the company, this assistance was discontinued.

ANTHONY JEANS, Cochabamba

On closing the activity at Simon's Jeans, the BTBC consultant was transferred to Anthony Jeans to train ten sewing operators. This training is part of Anthony's resuming operations after ceasing due to conflicts in the controlling family group. This resumption of operations

is largely thanks to an export order obtained by Trailer (see below), which proposed a joint production alliance to Anthony to manufacture 5,000 units per month. BTBC provided two weeks of training for the ten new sewing operators, who are presently working at Anthony.

TRAILER, Cochabamba

Trailer again sought BTBC assistance to provide on-the-job training for 30 sewing operators. To date BTBC has helped select the personnel, reorganize the lay out of the machinery and perform necessary maintenance prior to commencing on-the-job training. BTBC is also helping the company evaluate a new performance-related remuneration system.

B.1.c Additional Activities in the Textiles and Apparel Sector

- BTBC helped develop a textile and apparel project for the State Government (“Prefectura”) of Tarija. The project will be the basis for the disbursement of resources originating from hydrocarbon royalties to bolster the textile and apparel sector. BTBC worked jointly with Prefectura personnel in the development of the project, which was formally presented to the Prefectura on February 1st. At the time of writing this report, the document is under evaluation to serve as the basis for the disbursement of Bs 150,000.
- As part of the training provided to the members of ACOTAR, BTBC assisted one entrepreneur in procuring four industrial sewing machines (two straight-line, one overlock and one collaring machine) to enable the implementation of a new garment assembly operation.
- As part of our assistance in procuring machinery, a BTBC consultant accompanied several Cochabamba entrepreneurs to the Iquique Commercial Free Zone (ZOFRI) in northern Chile, where we provided advice on the purchase of machinery and accessories. Trailer Jeans invested about \$20,000 purchasing an embroidering machine, two specialized jean machines, and a variety of accessories and spare parts. Anthony invested about \$2,500 buying two double-needle straight line sewing machines. The Premier Group invested about \$5,000 on the purchase of industrial dyeing machines, two overlocks, two double needle straight lines, spare parts and other accessories. By procuring these machines and accessories in ZOFRI, BTBC helped the entrepreneurs save about 50% in the costs.
- The trip to ZOFRI also served to reconnoitre prices and quotes requested by ACOTAR of Tarija.

B.2 Secondary Wood Products

B.2.a Overview of BTBC Activities in the Sector

As shown in the chart below, in 2004 wood sector exports grew by 25.14% against 2003. The segment with the highest growth is the one corresponding to floors, decking and manufactured wood.

BOLIVIAN EXPORTS OF WOOD PRODUCTS January- December 2003/2004, US\$ millions			
<i>Product</i>	<i>Jan-Dec 2003</i>	<i>Jan-Dec 2004</i>	<i>% change</i>
Sawn wood	25.06	32.28	28.79
Sub-total primary wood products	25.06	32.28	28.79
Doors and windows	13.02	16.03	23.12
Wood furniture	14.56	15.39	5.70
Other wood products	4.69	8.05	71.55
Sub-total secondary wood products	32.27	39.47	22.30
TOTAL	57.34	71.78	25.14

Major players are CIMAL, MABET AND UNITED. Despite financial constraints, UNITED grew almost 4% during 2004. Mabet grew 18%, and Muebles Hurtado more than 60%. United, Mabet and Muebles Hurtado were actively supported by BTBC during this last period.

During the first quarter most companies are in a planning phase, waiting for the end of the rainy season to reactivate operations.

BTBC has also started to harvest from previous activities, such as the support given to SMEs in Tarija. Five SMEs are currently producing garden furniture for Casablanca.

EXPOFOREST – which was supported by BTBC - has also been useful to find raw material suppliers and make contact with potential clients. The trade fair was visited by international buyers from five countries.

The following is a summary of the main activities of the BTBC wood sector consultants during the first quarter of 2005:

Planning and production processes: BTBC continued supporting large and medium companies, but during this quarter there was an emphasis on the work with SMEs in La Paz, Santa Cruz, Tarija and Cochabamba. BTBC is providing assistance in the areas of production planning and control, development of specialized production schemes, especially related to the production of parts and pieces of furniture. Our intervention included the training of workers in production and quality control techniques.

Kiln Drying: This quarter has been very active in this area. We have actively worked with Sali in Cochabamba, IMTAR in Tarija and INFOCAL in Santa Cruz. INFOCAL has been drying wood for Hurtado, San Jorge and La Italiana. Drying is one area where support is most needed. Technical assistance periods should be at least three weeks long to supervise the whole drying cycle. During this period a drying kiln has been conditioned, reducing the drying times in 10 or more days. A new drying kiln started operations in Tarija with our

support. This is a small kiln with low capacity geared to the needs of SMEs. In Santa Cruz we developed a drying efficiency curve for 3” wood.

Classification and cutting of sawn lumber workshop: BTBC provided one of the main specialists as instructor in this workshop organized by the Swiss cooperation agency, SECO. The workshop took place in Santa Cruz and had over 50 participants. According to SECO, this was one of the best seminars sponsored by them in the last few years and they want to replicate it in Ecuador with the same BTBC consultant.

Market linkages and commercialization:

- **New Hemisphere:** With our support, NH started a program for the production of 130 Jesuit benches and 120 trunk benches. Muebles Hurtado, San Jorge and Muebleria La Italiana, are currently working on this order. In addition Muebles Hurtado received a second order for 70 Jesuit benches. These orders are valued at approximately \$78,000.
- **Casa Blanca International:** BTBC has prepared a group of companies in Tarija which are now being subcontracted by Casa Blanca. Among the companies that have been incorporated into Casa Blanca’s export chain are Carpinteria Diluvio, Quiroga and Ramirez for the production of 90 garden sets, each of which includes two armchairs, two foot rests and a coffee table.
- **SOEX:** This Company has subcontracted several SMEs, the largest of which is PROMAD, which is manufacturing two containers of garden furniture parts and pieces. Chinga Decoraciones is producing six living sets and Ultimate Design bedroom sets and bookshelves.
- **ULTIMATE DESIGN** continues subcontracting the services of Pedro Calderon to produce bookshelf doors.
- **SCHMIDT WOOD** is working on a \$10,000 order of special mahogany garden furniture.
- **EXPOFOREST:** New orders are expected from buyers that visited the tradeshow.

B.2.b BTBC Projects and Results in the Wood Products Sector

Cumulative employment and exports in secondary wood products have increased significantly in relation to last quarter’s report (4% and 15%, respectively).

The table below reflects BTBC’s employment and export results in the secondary wood products sector.

Summary of Cumulative Results: Oct '03- Mar '05 – Wood Products

Companies	New Employees	New Exports US\$	New Local Sales	People Trained	New SMEs in export chains
CASA BLANCA	34	197 K		14	12
Mobilia	10	49 K	0	40	0
Ultimate Design - Calderon	9	53 K	8K	10	2
Mabet- Pacahuaras	120	700K	80K	148	0
Muebles Hurtado	46	220K	0	64	0
Somain	22	72K	9K	29	0
CIMAL	6	620K	0	12	0
Schmidt Wood	4	20K	0	8	1
Línea Rústica (*)	8	13K	0	-	0
KAOBA	0	27K	0	-	0
IBEMA	9	0.00	0	22	2
UNITED	150	1000K	0	1.238	0
SOEX	14	128K	0	1	3
SAGUSA	13	80K	0	68*	0
SALI	4	27K	0	6	0
PROMAD	11	12K	0	4	0
MONTANA	0	0	0	4	0
BTL	5	18K	0	8	2
ECOWOODS	2	4K	0	3	0
IMAPA	18	45K	0	27	0
COMAS	6	0	0	12	0
CHINGA	1	5K	0	3	0
DECORACIONES					
MUEBLERIA LOPEZ	5	0,00	7K	3	0
SME'S TARIJA				15	
SAN JOAQUIN				10	
CARPINTERIA CASTAÑON				5	
SAN JORGE	15	0.	0	22	0
LA ITALIANA	7	0	0	12	0
TOTAL	517	3,259K	104K	1,788	22

* 23 in the factory and 45 in the forest.

Note: Employment figures are calculated using the following methodology: 1) For every company we assist, we calculate monthly the difference between baseline employment (before BTBC intervention) and current employment for the month; 2) The accumulated sum of the monthly figures of employment generation (or loss) are prorated by the number of months reported. For example, say a company had a baseline of 40 employees in April, before BTBC began assisting them. Suppose in May they had 70 workers, in June 90, in July 80, August 50, and September 30. The differences with the baseline would be +30, +50, +40, +10 and -10, and the accumulated average for the five months reported would be $120 / 5 = 24$ new jobs created.

The following are the companies assisted by BTBC during this quarter:

- INDUSTRIAS MADERERAS SALI (Cochabamba):** The drying system of one kiln was repaired. The drying time was reduced in 10 or more days depending on the wood species (25-30% of the total time). In order to achieve this result, important equipment improvements were made, primarily in the ventilation and humidification systems. Charts of the recommended air speed and humidity levels were developed.

- **MADEREX (Cochabamba):** The Company asked for a diagnosis and recommendations to improve the quality of its products, especially related to the joints of the different parts and pieces. The results and recommendations were:
 - The depth of the wooden pegs or stoppers should be increased to mitigate possible expansions and allow the adequate distribution of the glue.
 - The type of glue used was improved.
 - The sanding times were too long. Pneumatic sanders should be used to shorten times.
 - Additional recommendations were made in the area of machinery, equipment and production systems

- **Mabet-Pacahuaras (La Paz, Rivalta):** Mabet bought Bolholz, a plant that stopped operations more than a year ago. With BTBC's help, the plant was reconditioned during the first quarter. The operation of the drying kilns and of the rest of machinery and equipment was evaluated. The purchase of additional machinery has been recommended to avoid bottlenecks. The production capabilities of the four plants owned by Mabet (Mabet, Pacahuaras, Deckma and Bolholz) are being balanced. The yield of each machine has been measured and registered to better project production capabilities.

- **SOEX (La Paz):** Most of our support (75%) was directed to PROMAD, which is producing garden furniture for SOEX. Production has been planned for the next six months for the mother company and all subcontracted SMEs (MAVER, Ultimate Design and PROMAD). Raw material needs, production capabilities and drying capacities have been considered. A new drying kiln has been constructed in coordination with Ultimate Design and Schmidt Wood.

- **PROMAD (La Paz):** Firm orders for the production of parts and pieces of garden furniture were closed. Training and supervision for the corresponding production has finished during this quarter. Wood was dried in January and production started in February. BTBC's support included worker's training and cost management to be competitive.

- **Chinga Decoraciones (Santa Cruz):** With BTBC's support, this company participated in Expoforest and was subcontracted by SOEX to produce living room sets. In addition, BTBC's support included the organization of the whole plant, allowing more flexibility to produce different pieces and personnel management that clearly established responsibilities and functions.

- **Muebles Hurtado (Santa Cruz):** BTBC has supported the development of production plans for four purchase orders from New Hemisphere, including a benches order. Our support started with the classification of the wood, supervision of the drying process and the production itself. BTBC also prepared San Jorge and Muebleria Italiana so that Muebles Hurtado could subcontract them to fill orders from New Hemisphere. BTBC also developed the packaging according to client specifications, which were particularly demanding.

- **San Jorge (Santa Cruz):** BTBC started with a diagnosis of the company so that it could be a supplier for New Hemisphere. BTBC supervised the sample production, including the development of the finishing requested by the client. The areas of support included cost analysis, pattern development, tools sharpening, production planning and control, and advise on export regulations. This company produced 95 Jesuit benches and was selected because of its experience in the areas of carving, finishing and adequate layout.
- **Muebleria Italiana (Santa Cruz):** This Company was also identified by BTBC to produce samples for New Hemisphere. Nevertheless, given its limited production capacity, it will produce only 45 Jesuit benches. Technical assistance has been provided in the areas of layout, costing, subcontracting and export practices.
- **San Joaquin (Santa Cruz):** BTBC is assisting this company in the development of a new layout, production balance, patterns development, and training in the areas of export regulations, quality control, finishing and others. We have also helped them coordinate with INFOCAL for the drying of wood.
- **Casablanca International (Santa Cruz):** Our support consisted basically in the development of a supplier network for garden furniture. The network is located in Tarija and Santa Cruz.
- **COMAS (Tarija):** BTBC's ample technical assistance was instrumental in having COMAS selected by the Danish Cooperation Agency (DANIDA) to receive their assistance, including a joint venture with the Danish company Jacob Berg. DANIDA will provide COMAS with 80,000 Swedish Crowns to buy machinery, equipment, improvement of physical premises, participation in international events, development of marketing strategies and others. BTBC is now assisting COMAS in identifying the needed machinery and equipment, as well as the best suppliers. In addition, BTBC is helping the company prepare for a tradeshow in Denmark.

COMAS personnel has also been trained to produce garden furniture for Casablanca International, including patterns, documentation, machinery maintenance, industrial security, costing, and quality control. Finally, BTBC is providing assistance and advice for a joint venture with COMASUR, also in Tarija.
- **Consorcio Maderero del Sur S.R.L. (Tarija):** BTBC has provided detailed training and technical assistance to this five-company group to prepare them for serial production for export. The group is following our recommendation and is moving to the Industrial Park in Tarija and the plants are being installed according to the layouts developed by BTBC. The group is producing the same prototypes as COMAS, in order to supply the corresponding parts and pieces.
- **IMTAR (Tarija):** A drying kiln started operations with our support. This was a unique case, because the kiln has a hybrid technology. Nevertheless, the equipment was fine-tuned, tests were conducted and drying curves were generated. The kiln will offer its services mainly to SMEs, given its limited drying capacity.

- **Aid to Artisans:** This USAID program has requested BTBC's support to control and reduce the humidity of wide parts and pieces (8" X 8") that were exported to the U.S. Although this requirement was quite late considering the delivery date, BCCN trained the artisans on how to reduce humidity using domestic procedures. The humidity was reduced to 18%; it is not possible to go below that without the use of vacuum technologies.

B.3 Fine Fibers, Leather and Jewelry

B.3.a Overview of BTBC Activities in the Sectors

This quarter BTBC continued expanding its activities in the fine fibers sector by starting assistance programs in new areas. On the other hand, BTBC's activities in the jewelry and leather sectors expanded with interventions in two new companies.

Fine fibers. Fine fiber manufacturing companies are small and numerous and are concentrated in the cold regions of the country. Alpaca garments are directed at medium and high-end markets, being exported in low volumes. Most alpaca garment manufacturers need support in design, employee training and marketing. It is important to market the benefits of camelid fibers (alpaca and llama) in the target markets. It is perhaps even more important to adjust Bolivian designs so that they are appealing to target market consumers. It may also be important to differentiate Bolivian products from the ones produced in Peru. The llama fiber and the use of natural dyeing products may be a way of achieving this goal.

The following is a summary of BTBC's activities in the fine fibers sector:

- **Production Systems.** This quarter BTBC has worked extensively to help companies improve the following key areas: productivity, increased production capacity, production planning and control, inventory management, implementation of additional production lines and cost management.
- **Quality Control.** In many of the interventions BTBC has helped implement various quality control systems and mechanisms. Quality control is fundamental to secure clients. It is also important for reducing costs through early detection of defects and minimizing rejects.
- **Design.** During this quarter we supervised the production of the prototypes of the Winter 05/06 collection for Fotrama, took pictures of the whole collection and designed the catalog. The collection was designed based on the market trends and major wool inventories owned by the company. We have also started a training program in the area of design for more than 200 artisans. This program is being coordinated with COPROCA.
- **Opening Markets.** BTBC supported the Bolivian participation in the Magic Trade Show that took place last February. Six Bolivian companies participated in the fair; as a result we expect sales for \$180,000.
- **Training.** BTBC is providing training in a diversity of areas, including design, quality control, costing and quoting, production systems and broad management.

- **Diagnoses and recommendations.** BTBC has done in-depth diagnostic evaluations of several companies to help them identify their internal constraints and develop recommendations as to how to overcome them. These diagnoses have been followed by BTBC interventions to help apply the recommendations.
- **Hand-knitting garments.** BTBC is providing assistance to four hand-knitting groups, namely Fotrama, an association which produces its garments through 16 groups totaling over 300 women; Altifiber/Altiknits, a company outsourcing production to a further 300 women; ASARBOLSEM, an association which groups approximately 1,000 women, 400 directly and the rest through production cooperatives and farmer associations, and COPROCA, with 200 knitters.

Leather Sector. Macaws continues being our major project in the leather sector. We helped Macaws maintain the ISO 9001 certification and obtain the OSHAS 18000 certification, making it the first Bolivian company to obtain the latter. At this point the company is ready to obtain the ISO 14001, which is programmed for late April 2005. In addition, thanks to our support in the area of training, Macaws consolidated its export business to Venezuela and has continued observing substantial growth of its brand Bellagio in the U.S., which is marketed through the Internet.

During this quarter we started providing assistance to Pielbo, a company which produces leather with basic finishing used for the production of shoes, some small leather products and garments.

Jewelry Sector. Exportadores Bolivianos, the gold and silver jewelry manufacturer which received BTBC assistance in 2003 to open a new production plant in Bolivia, continues growing and generating very substantial exports to the U.S. Minerales y Metales (M&M), the producer of gemstones which received BTBC assistance last year to implement a new jewelry manufacturing plant, is expanding its local jewelry business, having opened two retail jewelries in Santa Cruz. CECADEM, a jewelry training and production center is working with the project to train 12 female jewelers in the area of management, so that they can start their own SMEs.

B.3.b BTBC Projects and Results in the Fine Fibers, Leather and Jewelry Sector

The fine fibers sector has to date generated more than 100 new jobs and new exports for more than \$650,000. In addition, BTBC has made a major effort this quarter by providing training to more than 550 people in fine fiber activities.

In the leather sector, the assistance provided to Macaws has contributed to an increase of 108% in the company's total exports with respect to last year. With BTBC assistance this company has trained 210 people, hired 56 and incorporated 50 new SMEs into its production and export chain. The subcontracted SMEs for MACAWS have resulted from the training courses and the assistance provided in industrial processes. It must be noted that there is a high turnover in subcontracted SMEs due to financial and legal difficulties, as well as the migration of personnel.

In the jewelry sector, the majority of jobs created in Exportadores Bolivianos with BTBC assistance have been maintained. In 2004 this company's exports reached \$39.9 million, an increase of 31% versus the same period the previous year. Additional exports attributable to BTBC are \$12 million, more than double the company's original commitment of \$5 million.

The table below reflects BTBC's employment and export results in the Fine Fibers, Leather and Jewelry Sectors:

**Summary of Cumulative Results: Oct '03-Mar '05
Fine Fibers, Leather and Jewelry**

Company	New Employees	New Exports US\$	New Local Sales	People Trained	New SMEs in export chains
Milos International	17	83K	21K	3	0
Origenes Bolivia	9	37K	3K	4	1
Altifashion	14	86K	4K	2	1
Altifibers	17	43K	0,00	2	6
Fotrama	1	140K	116K	330	0
Knitted Apparel	0	36K	0,00	2	0
**Gloria Thaine	0	9K	0,00	-	0
**Alpaca Style	0	18K	0,00	-	0
**Terraltas	0	10K	0,00	-	0
Intiwara	3	2K	0,00	5	0
Shalom	20	205K	81K	31	0
BCP	2	6K	40K	1	0
COPROCA	10	0	65K	-	0
Patterning and Design Workshops	0	0	0	60	0
Design Workshop	0	0	0	100	0
Export. Bolivianos	89	12400K	0	138	0
Macaws	56	816 K	37K	210	50
TOTAL	238	13.891K	367K	888	58

Note: Employment figures are calculated using the following methodology: 1) For every company we assist, we calculate monthly the difference between baseline employment (before BTBC intervention) and current employment for the month; 2) The accumulated sum of the monthly figures of employment generation (or loss) are prorated by the number of months reported. For example, say a company had a baseline of 40 employees in April, before BTBC began assisting them. Suppose in May they had 70 workers, in June 90, in July 80, August 50, and September 30. The differences with the baseline would be +30, +50, +40, +10 and -10, and the accumulated average for the five months reported would be 120 / 5 = 24 new jobs created.

Summary of BTBC-assisted companies:

Milos International, Fine Fibers, La Paz.

Milos' exports increased by 180% during 2004. During this quarter Milos participated in three international trade shows: Paris, Düsseldorf and Las Vegas.

Altifashion, Fine Fibers, La Paz.

Altifashion participated in an extreme sports trade show in the U.S. with very good results. The company's strategy is to enter new niche markets able and willing to pay higher prices

for specialized products. At the same time, Altifashion developed especially low-priced alpaca products for the Magic Tradeshow; unfortunately these were not successful competing against similar but lower priced Asian wool products.

Altifiber/Altiknits, Fine Fibers, La Paz.

In the previous quarters, a BTBC diagnosis resulted in a number of recommendations to improve production systems and quality control. Implementation of these recommendations is underway and will be concluded by May. With BTBC assistance, Altifiber/Altiknits participated last February in a trade fair in Denmark organized by DANIDA. Important contacts were made and future sales are expected.

Orígenes Bolivia, Fine Fibers, La Paz.

BTBC provided support to Orígenes Bolivia in the areas of production planning and control, cost control, inventories and training of new personnel in quality control. Its General Manager was trained in the area of production because her associate and expert in the area of production left the company.

Orígenes Bolivia participated in the Magic Trade Show in February, with moderate results. Although the company presented a new and fresh collection, it was not aggressive enough. The prices presented by the company were too high for the kind of products featured.

Millma, Fine Fibers, La Paz.

Through a BTBC contact, DANIDA invited Millma to participate in the Danish garment fair in February. Millma concentrates most of its sales in the U.S. and has a limited presence in Europe until now.

Knitted Apparel, Fine Fibers, La Paz.

No new activity. Eddie Estrada, *Knitted Apparel's* general manager is very ill, and is being treated in Chile. The plant has stopped operations.

Shalom, Fine Fibers, La Paz.

During this quarter Shalom's second plant "Sucursal Parque Riosinho" was installed. New Assets investments for approximately half a million dollars were completed. With this new plant, Shalom's production capacity has almost doubled. BTBC designed the new layout, supported the installation, calibrated the new machinery and trained middle management and operators. Operations started in March, but are currently at a standstill because of the lack of trained personnel. Brazilian companies offered better salaries, and the company lost 50% of its personnel. The objective of the new plant is to produce high value garments using alpaca and other fine fibers.

In addition, BTBC completed the assistance to Shalom's mother plant in management, production systems and quality control.

Fotrama, Fine Fibers, Cochabamba.

BTBC provided extensive assistance to Fotrama in production systems, quality control and cost analysis to prepare quotations. Over 300 women were trained in the new quality control and production systems. In addition, BTBC assisted FOTRAMA in the development

of its 2005/6 Winter Collection and in the establishment of the company's design and development department. Prototypes have been produced, photographed and a digital catalog has been completed with our support. The new designs are already being produced by the knitting groups. The new collection considers not only market trends, but also the extensive wool inventories owned by the company. BTBC also organized a fair at the U.S. Embassy where FOTRAMA garments were sold.

Intiwara, Fine Fibers, La Paz.

BTBC provided assistance to Intiwara in patterning and design. The company aims to expand its production to include a line of alpaca coats, jackets and suits. Initial sample orders for more than \$1,500 have been dispatched, but it is still necessary to work on patterning and sizing for the European market.

Intiwara was one of the most successful Bolivian companies that participated in the Magic Tradeshaw last February, because of the richness and variety of their designs. They have initial orders for \$5,000, but are developing samples for two important catalogs - Smithsonian and National Geographic - and expect orders for over \$40,000 in 2005.

Asociación Artesanal de Bolivia Señor de Mayo, ASARBOLSEM, Fine Fibers, La Paz

ASARBOLSEM is an association of 19 production groups employing over 400 people, of which 95% are female. ASARBOLSEM exports handicrafts and alpaca garments mainly to Europe and has received various awards in Europe and from the United Nations in recognition of its work.

BTBC has assisted ASARBOLSEM since December 2004 with a "Training Program in Textile Craft Production" for two new groups with over 75 additional people. Six trainers, all Aymara, participated in this program. This allowed a perfect level of communication between the trainers and the trainees, many of whom only speak Aymara. The two groups "Mar para Bolivia" and "Puya Raymundi" participated actively in the training, and some of the participants were able to produce garments to fulfill ASARBOLSEM export orders even before finishing the program. It is estimated that 60 of the 75 trainees will successfully conclude the program and will be incorporated into ASARBOLSEM production.

Beatriz Canedo Patiño, BCP, Fine Fibres, La Paz

BCP Alpaca Designs is a pioneer in the Bolivian fashion industry and has been in operation for 18 years, competing in the international high fashion markets with designer garments made from Bolivian fine fibres. The company currently exports to Asia, Australia, Canada, Europe and the United States. It sells locally in Bolivia through three company-owned retail boutiques in La Paz and Santa Cruz. About 40% of BCP's production is exported and the rest is sold in the local market.

BTBC provided technical assistance to help BCP transition from tailor-made to industrial manufacturing, including:

- production planning and control
- development of a cost system based on production capabilities and raw materials used,

- development of a codification system to follow garments during the whole production process
- introduction of an in-process quality control system
- inventory management and control of raw materials and final products
- training of a junior industrial engineer to help in these tasks.

In addition, a marketing and promotional plan for the local market was developed with BTBC support.

COPROCA, Fine Fibers, La Paz

COPROCA is a cooperative composed of approximately 1,200 families that raise alpaca herds. COPROCA's main activity is spinning alpaca yarn, and importantly they are beginning to spin de-haired llama yarn. Last quarter BTBC began an assistance program to help COPROCA obtain ISO 9001 certification. COPROCA has had so many quality problems in the past that they now need to improve the quality image of the company and gain the confidence of Bolivian sweater producers and exporters. All basic documentation and procedures for ISO 9001 certification were completed and the first internal audits were performed.

COPROCA needs to improve the quality of the dyed alpaca yarn, where there is a big market potential. BTBC provided technical assistance in this area, as well as in the area of design. A five week training program for 200 artisans is underway, which includes design history, color, design, quality and market analysis.

Exportadores Bolivianos, Jewelry, La Paz.

BTBC has not provided assistance to Exportadores Bolivianos this quarter. However, exports continue to grow as a result of BTBC's pivotal intervention in 2003. To date over \$12 million in new exports have been generated as a result of BTBC's intervention.

CECADEM, Jewelry, La Paz

CECADEM (Woman and Family Training and Development Center) is an NGO that helps organize groups of women for the production of jewelry. They have a training facility with the basic machinery and tools. They organize two courses a year, each of them 6 months long. BTBC is supporting the training of 12 women in this area. These women, between 15 and 40 years old, are already organizing their first small company. They will start producing for the local market and expect to export small volumes later this year mainly to the "Fair Trade Market" in Europe.

Minerales y Metales (M&M), Jewelry, Santa Cruz.

No new activity.

Macaws, Leather Goods, Cochabamba.

Macaws has closed a deal with a Venezuelan buyer for 300,000 celular phone cases, valued at half a million dollars, almost doubling the orders of 2004. This new order exceeds Macaws' installed capacity and will require the hiring of 60 new workers.

BTBC helped Macaws obtain ISO 9001 and OSHAS 18000 certification in 2004, and is currently assisting the company to achieve ISO 14001 certification, expected by April 2005.

PIELBO, Leather, La Paz

Pieles Bolivianas S.R.L. (PIELBO) is a Bolivian tannery that produces finished leather for the local market and exports semi-processed leather (wet blue) to Asia. PIELBO is a member of Cordill S.A. (Corporación Industrial Dillman S.A.), whose major business is in the food sector. Cordill S.A. also owns Genuine Top Leather, PIELBO's major leather supplier.

With BTBC support, Pielbo will develop three types of specialized products: Softy leather, Pullman leather and "Culatas" leather for the production of small leather products. BTBC is providing technical assistance in the area of leather finishing and training of specialized labor. The leather obtained will be used by Genuine Top Leather primarily for the manufacture of small leather goods, but also for leather upholstery and leather apparel. Pielbo will also improve the quality and variety of finished leather offered in the local market, which in turn will improve the competitiveness of local companies that produce small leather goods.

B.4 Market Linkages Activities

B.4.a Market Linkages in Textiles and Apparel

- BTBC coordinated itineraries for the visits to La Paz by two Chilean garment wholesalers with showrooms near Patronato and Estacion Central in Santiago, which are traditional garment-trading areas of that city. The wholesalers met with a number of garment manufacturers in La Paz, including Bentex, Botama, Val Fal, Texmabol, Taller Carmen Gutierrez and Electro Fashion. These two wholesalers are already procuring denim goods in Cochabamba and Santa Cruz, but on this occasion they were particularly interested in seeking new suppliers for winter clothes, polo shirts and t-shirts.
- BTBC is helping the Mexican company Baby Creysi S.A. identify potential suppliers in Bolivia. Baby Creysi currently outsources all of its production in Asia and is seeking alternative supply sources in Latin America. Through BTBC contacts, Baby Creysi is currently in negotiations with Ametex, Maquibol and Mitsuba.
- BTBC is assisting Alfach in its approach and negotiations with the U.S. garment company Chicos. The prospective order is for 20,000 blue jeans and BTBC is helping Alfach develop cost structure, product technical specifications, types of finishing and other aspects.

B.4.b Market Linkages in Secondary Wood Products

- Danida has already confirmed support to COMAS. Jacob Berg is in Denmark, presenting prototypes to potential clients; all requested changes are being incorporated to the prototypes with BTBC's help and will be ready for final presentation in May.
- COMAS and COMASUR are being assisted to close a \$13,500 garden furniture deal with Casa Blanca.
- We are assisting Muebles Hurtado, San Jorge and La Italiana in fulfilling an \$85,000 order with U.S. wholesaler New Hemisphere.

- Support for the celebration of EXPOFOREST

B.4.c Market Linkages in Fine Fibers, Leather and Jewelry

- Two BTBC-backed camelid companies (Altifibers/Altifashion and Millma) were selected to participate in a fashion fair that took place in Denmark last February.

B.5 Increasing Access to Capital

- Thanks to BTBC assistance in developing its business plan and reengineering a number of processes, Rey Wear obtained a loan for \$250,000.
- BTBC has provided extensive assistance to the State Government (“Prefectura”) of Tarija to develop the action plan for the textiles and apparel sector. The Prefectura plans to disburse Bs 150,000 in funding for the sector based on this BTBC-supported action plan.

B.6 Training for the Productive Sector

Since its inception, BTBC has provided training for 3,960 people: 1,788 in wood products, 1,224 in garment manufacturing, 588 in fine fibers, 210 in leather and 150 in jewelry. Much of this training was on on-the-job, but we also trained people in structured workshops or seminars. Some examples of BTBC training during this quarter include:

- Two hundred artisans from COPROCA in the area of alpaca design.
- In coordination with CECADEM, 12 jewelers in the area of management.
- ASARBOLSEM (El Alto): 75 people in production and knitting techniques.
- Fotrama: 300 people in quality control related to knitted garments.
- 370 women trained in Rey Wear
- Trailer Jeans: 40 people in industrial sewing.
- Wood classification seminar: 50 participants.
- 25 workers from the wood sector trained for the production of pieces and parts.
- 48 wood craftsmen trained in cooperation with CONAMYPE.
- 15 workers from three companies trained in wood-drying techniques.
- Training of wood artisans as collaboration to Aid to Artisan (8 courses).
- We trained Maderex’s managers on gluing and joining techniques for garden furniture for the German market.

B.7 Major Events and Other Activities

Magic Marketplace, Las Vegas

The participating companies were Alpaca Natures, Alpaca Style, Origenes Bolivia, Intiwara and Mel Confecciones. Aggregate expected sales resulting from the tradeshow are \$180,000 (see the table below), considerably less than previous versions of Magic Marketplace. We believe that this is in part a consequence of increased competition from Chinese goods as a result of the discontinuation of U.S. quotas on Chinese textiles.

Company	Expected Sales	Participation in previous Magic Shows
Alpaca Natures	\$5,000	2003
Alpaca Style	\$23,000	2004
Intiwara	\$45,000	None
Origenes Bolivia	\$6,000	2004
Mel Confecciones	\$100,000	2003
TOTAL	\$179,000	

EXPOFOREST, Santa Cruz

This event was organized jointly with FEXPOCRUZ, CADEFOR and BOLFOR II. Ninety-eight companies participated in the event, presenting over 160 products, including raw materials, manufactured goods, indigenous communities, programs that support the development of the sector, related services, training, etc.

The trade fair included a forum on “Economic development based on renewable resources” as well as a business roundtable. It tripled in size with respect to last year, to over 3,000 m², and counted over 7,000 visitors, including from Germany, Costa Rica, Brazil, U.S. and Mexico.

Small Enterprise Assistance Fund (SEAF) Visit to Bolivia

A BTBC representative accompanied Arturo Rivera of SEAF Peru SAFI and SEAF’s Bolivian consultant, Fabrizio Nuñez to ten company visits in La Paz and Santa Cruz. Of the ten companies, four are considered prospects with immediate potential, two are prospects with potential in one year and four are start-ups or not viable investment prospects at present. These are as follows:

<i>Immediate potential</i>	<i>One-year potential</i>	<i>Start-ups or not presently viable</i>
Santa Monica Cotton	Andean Valley Quinoa	Highland Organics
Minerales & Metales	Kral Juices & Sauces	Colosa
Alcos Farmaceutica		Joyería Andrea
Unete Telecomunicaciones		Gallery Textiles

SECTION IV

Project Issues

A. Project Close Out and Transition to BTBC II.

As the close of BTBC was originally programmed for 31 March, the level of activity this past quarter slowed down and consultant pools were downsized as a number of short-term contracts expired. However, once officially notified on March 24th of the extension of BTBC to June 30th, 2005 the project picked up speed again with additional activities for the remainder of quarter 9 and for the months of April and May 2005. Considering that Chemonics has been awarded the follow-on to BTBC, with a starting date of June 1st, 2005, we expect to be able to continue our activities and technical assistance without interruption.

B. Counterpart Contributions to BTBC Interventions

The quantity and nature of counter-part contributions has evolved during BTBC. We are now consistently obtaining counter-part contributions for all of our interventions.

C. Wood Collection Hub Reactivated

Meetings between interested parties have been held. IMR-RODA has qualified as strategic partner and is willing and ready to have all the installations ready before September 2005.

D. Social Unrest

This quarter was characterized by social unrest throughout the country, which delayed the execution of some of our projects. Two resignation attempts by current President Carlos Mesa compounded a fragile political situation which included road blocks, demonstrations and strikes all over the country. The business, and in particular the export sector, was significantly affected by these circumstances.

SECTION V

Major Activities for Next Quarter

A. Activities Geared to Improving the Business Environment, Including Institutional Strengthening

A.1 Communication Campaign: “Foreign Trade and National Development”

- Close of Campaign event.
- Completion of the regional workshops for the wood and textile sectors.
- Final report of the Communication Campaign.

A.2 Strengthening the Intellectual Property Rights (IPR) Regime in Bolivia

Conclusion of the pilot program for the institutional strengthening of SENAPI, including the following activities:

- Implementation of the new Organizational and Management Model.
- Implementation of the new administrative, financial and control procedures.
- Final adjustment or adaptation of the management, budgeting, treasury, planning and investment systems.
- Development of the interactive Internet website.
- Development and implementation of simplified registry procedures.

A.3 Preparing SMEs for the “Buy Bolivian” Program

BTBC considers that the “Buy Bolivian” Program implemented by the GOB can be a powerful tool to promote the growth of SMEs in some of our sectors, particularly garments and wood furniture, by generating additional and significant local demand. We believe that if we help some of our clients participate in this program, this will not only generate production and employment, but will also serve to prepare some of these companies for the challenges of exporting.

For these reasons, and at the request of the Confederación Nacional de Micro y Pequeñas Empresas (CONAMYPE), we are looking into the possibility of teaming with this organization to celebrate a national seminar aimed at preparing its members to participate in the “Buy Bolivian” Program.

A.4 Bolivian Competitiveness Forum

Towards the end of this quarter the Ministry of Economic Development (MDE) asked USAID/B for their support in the implementation of the Bolivian Competitiveness Forum, a major event where public and private sector representatives of the highest level will discuss policies and actions to improve the productivity and competitiveness of the Bolivian economy. The Forum – to be held the first week of June - is being organized by the Unidad de Productividad y Competitividad (UPC) of the MDE, which is charged with coordinating the Sistema Boliviano de Productividad y Competitividad.

BTBC has been asked to finance the communications component of the Forum, including press conferences and releases, informational material, transcripts of presentations, and design and publication of the proceedings.

Once USAID/B has approved the funding for this project, BTBC will move quickly to put out a Request for Proposal that will be sent out to qualified Bolivian public relations firms. Both the RFP and the selection process will be done in coordination with the UPC.

B. Activities to Stimulate Production and Exports

B.1 Textiles and Apparel

- BTBC is coordinating a commercial mission to Chile with CEPROBOL and CAMEX. Approximately 10 Bolivian garment manufacturers will travel to Santiago and Iquique to meet with interested wholesalers previously identified by the Bolivian Consulate in Santiago in conjunction with the Chilean Chamber of Commerce. The mission is scheduled for the middle of May.
- BTBC plans to provide technical assistance to Julio's in Cochabamba, with a view to helping the company diversify its product lines for women. The new product lines will be used to supply new seasonal inventory to Julio's stores.
- BTBC will follow up on the implementation of the Premier Group's finishing plant in Tarija.
- In April BTBC will conclude its technical assistance to Rey Wear.
- BTBC plans to provide technical assistance in management techniques to Alfach in Cochabamba.
- In collaboration with CANEB, BTBC is coordinating an exposition in which three Italian designers and 14 Bolivian designers will exhibit their collections in a high level event.

B.2 Secondary Wood Products

- Support GINKO in the installation process.
- Support COMAS to produce with the required quality within acceptable price ranges.
- Help SOEX to subcontract new SMEs.
- Consolidate the Schmidt Wood exportation order to the U.S.
- Support New Hemisphere operations in Bolivia through subcontracting.
- Support the development of activities of Globex in Bolivia.
- Support the production of Maderex in Cochabamba.
- Support sample development of Tarija SMEs.

B.3 Fine Fibers, Leather and Jewelry

- Finalize BTBC assistance to Asarbolsem in training and quality improvements for 75 women that hand-knit in El Alto and are exporting their products. Due to the social unrest in January and March in El Alto this program was extended until May 2005.
- Continue BTBC's assistance to COPROCA, particularly in the areas of design, yarn dyeing and ISO 9001 certification.
- Support CECADEM in the area of design, to develop a silver jewelry collection for the European market
- Continue with our support to Pielbo to produce high quality leather finishings, which will improve not only Pielbo's competitiveness but that of Genuine Top Leather and other companies that manufacture small leather products.
- Complete the support to Macaws with the ISO 14001 certification.